



Bill Draft 2011-TMz-6: Repeal Estate Tax.

2011-2012 General Assembly

Committee: Revenue Laws Study Committee
Introduced by:
Analysis of: 2011-TMz-6

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SUMMARY: *The Bill Draft would repeal the estate tax for decedents dying on or after January 1, 2013.*

CURRENT LAW: For decedents dying in 2012, North Carolina imposes an estate tax on the value of the estate over \$5 million. The tax rate is graduated from 0.8% to a maximum rate of 16% for taxable estates over \$10,040,000.

BILL ANALYSIS: The Bill Draft would repeal the estate tax and the generation-skipping transfer tax.

EFFECTIVE DATE: The Bill Draft would be effective for decedents dying on or after January 1, 2013.

BACKGROUND: In 2001, the federal estate tax was designed as a revenue sharing system where the federal estate tax gave estates a 100% credit for state estate tax. Because estates received a full credit for state estate tax imposed, the estates did not pay any additional estate tax if state estate tax also applied. In 2001, all fifty states and the District of Columbia imposed an estate tax.

In 2012, the federal estate tax allows only a deduction for state estate tax. Because the deduction did not relieve estates of the financial loss of paying state estate tax, estates do pay additional estate tax if state estate tax applies. Currently, twenty-two states and the District of Columbia impose an estate tax.

The federal estate tax is scheduled to return to the 2001 law for decedents dying after December 31, 2012.

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